

**ASSEMBLY BILL**

**No. 1190**

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**Introduced by Assembly Member Jeffries**

February 18, 2011

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An act to add and repeal Section 6018.2 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1190, as introduced, Jeffries. Sales and use taxes: consumer: destination management company.

The Sales and Use Tax Law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. That law, with certain exceptions, defines a retailer as a seller that makes any retail sale of tangible personal property and as a person that makes more than 2 retail sales of tangible personal property during any 12-month period, and defines a retail sale as a sale of tangible personal property for any purpose other than resale in the regular course of business.

This bill would provide, until January 1, 2016, that a qualified destination management company, as defined, is a consumer, and not a retailer, of tangible personal property it provides to its clients pursuant to a qualified contract, as defined, for destination management services, so that the sale of the tangible personal property to the destination management company is the retail sale subject to tax.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing law authorizes districts,

as specified, to impose transactions and use taxes in accordance with, which conforms to the Sales and Use Tax Law. Amendments to state sales and use taxes are incorporated in these taxes. Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill.

This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 6018.2 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 6018.2. (a) A qualified destination management company is
- 4 a consumer of, and shall not be considered a retailer of, the tangible
- 5 personal property it provides to its client pursuant to a qualified
- 6 contract for destination management services.
- 7 (b) For the purposes of this section:
- 8 (1) "Destination management services" means the provision of
- 9 four or more of the following services:
- 10 (A) Transportation.
- 11 (B) Entertainment.
- 12 (C) Meals.
- 13 (D) Recreational activities.
- 14 (E) Tours.
- 15 (F) Registration.
- 16 (G) Staffing.
- 17 (2) "Qualified contract" means a contract between a qualified
- 18 destination management company and its client for destination
- 19 management services that meets all of the following conditions:
- 20 (A) The client is a corporation, partnership, limited liability
- 21 company, trade association, or other business entity principally
- 22 located outside of the county in which the destination management

1 services are provided. The client is not an individual, social club,  
2 or fraternal organization.

3 (B) The client is responsible for paying the qualified destination  
4 management company for all the destination management services  
5 provided to the client.

6 (C) The qualified destination management company is  
7 responsible for paying all the vendors that sell or lease tangible  
8 personal property to the qualified destination management company  
9 for the contract services, including vendors' charges for sales tax  
10 reimbursement or collection of use tax.

11 (D) The destination management services occur on two or more  
12 consecutive days.

13 (3) "Qualified destination management company" means a  
14 corporation that meets all of the following conditions:

15 (A) Is substantially engaged in the business of providing  
16 destination management services. For purposes of this  
17 subparagraph, "substantially" means that 80 percent or more of  
18 the gross sales are derived from the business of providing  
19 destination management services.

20 (B) Is designated as an Accredited Destination Management  
21 Company by the Association of Destination Management  
22 Executives, or is an executive member of the Association of  
23 Destination Management Executives and enrolled in the  
24 Association of Destination Management Executives accreditation  
25 program.

26 (C) Is not doing business as a caterer.

27 (D) Maintains a permanent nonresidential office in California  
28 from which the destination management services are provided.

29 (E) Has three or more full-time employees.

30 (F) Expends at least 1 percent of its gross revenue annually to  
31 market for tourism in California and local destinations.

32 (G) Does not own any equipment used to provide destination  
33 management services, including, but not limited to, dance floors,  
34 decorative props, lighting, podiums, sound or video systems, stages,  
35 or equipment for catered meals. This condition shall not apply to  
36 office equipment used in the conduct of the destination  
37 management company's business.

38 (H) Does not provide services for weddings.

39 (c) This section shall remain in effect only until January 1, 2016,  
40 and as of that date is repealed.

1 SEC. 2. Notwithstanding Section 2230 of the Revenue and  
2 Taxation Code, no appropriation is made by this act and the state  
3 shall not reimburse any local agency for any sales and use tax  
4 revenues lost by it under this act.

5 SEC. 3. This act provides for a tax levy within the meaning  
6 of Article IV of the Constitution and shall go into immediate effect.  
7 However, the provisions of this act shall become operative on the  
8 first day of the first calendar quarter commencing more than 90  
9 days after the effective date of this act.